Marketing Myths and Service Slips

Exceeding expectations every time and other marketing and service clichés which might cost a lot but make you little.

by John Goodman, Vice Chairman, TARP Worldwide © TARP 2010

As we all know, myths have a way of becoming more than they are.

The same is true for marketing and service, so we offer the following list of conventional wisdom, beliefs and marketing clichés…some have a solid empirical basis, but have been carried too far. Others are just wrong.

Myth 1: The key to market success is to exceed customers' expectations, delighting them whenever possible.

Fact: Delight customers only when cost is reasonable cost and payoff is significant.

Everyone wants to exceed customer expectations. While this is a nice general idea, all actions to produce delight do not cost the same and all delight experiences do not produce the same increase in loyalty. TARP has found that many labor-intensive heroics will only result in a 12-14% increase in the percentage of customers who will definitely recommend a company, while other less labor-intensive actions (such as a friendly 90-second conversation creating an emotional connection or a hint regarding how to avoid problems) will result in two or three times more customers becoming advocates.

Lesson: measure the cost and impact of different types of delighters and only exceed expectations where it is cost effective.

Myth 2: Answer the phone really fast–any time on hold makes people mad.

Fact: It is more important what happens after you answer the phone than how fast you answer.

In most environments, you can keep customers on hold or answer can be delayed for more than 30 seconds (and often up to a minute!) if, when you answer the phone, you completely handle the customer's issue. If the problem is completely handled to the customer's satisfaction there is no discernable impact on satisfaction due to the 30-60 second delay. Answering in two rings often wastes money.

Lesson: Answer in less than a minute and then make sure you handle the call to completion on first contact.

Myth 3: Everyone wants to talk to a human; web and automated service are always less satisfactory.

Fact: Web and automated service are preferred in some cases and by some customer segments.

For example, one investment company found a large segment of their wealthy clients never wanted to talk to a human being and always wanted to interact by Web and email. Likewise, customers are often happy to check an account balance online or a package delivery via IVR, but, if there is an unpleasant surprise, then they will want to talk to a human.

Whether companies damage customer relationships with self-service depends on who the customer is, what the customer is calling about or looking for, and the effectiveness of the tools and information you provide to use the automated systems.

Lesson: Ask customers about their preferred communications channel for issue category and transactions. Provide a range of channels so they can pick. Provide good directions, like printing the IVR menu wherever you print the phone number.

Myth 4: The customer is always right–don't ever say no.

Fact: The customer is not always right, and you can say no.

It is alright to say no to the customer or give bad news as long as you give the customer a clear, reasonable explanation regarding why the request is not possible. For example, explaining that the flight will be delayed due to a leak in the hydraulic system will not make customers happy, but will keep them safe–and thankful to be on the ground.

Lesson: Train your staff that it is fine to say no, but arm them with clear, believable explanations regarding why the policy is in place or why the situation occurred. Be flexible to take special action for valuable customers.

Myth 5: If complaints are going down, things are getting better.

Fact: Fewer complaints often mean fewer people are complaining because they've given up.

In the last three years, TARP has recently observed a significant decline in complaint rates due to customers feeling that complaining will do no good.

Lesson: Monitor complaint rates at least every other year – go to a random sample of customers and ask what problems they've had and if they told you.

Myth 6: The best way to improve service is to get front-line employees to do what they are told and to have a better attitude.

Fact: A majority of customer dissatisfaction is caused by other factors that often prevent employees from providing effective service.

TARP has found that more than 90% of employees come to work wanting to do a good job, but are stymied by product-related unpleasant surprises, incorrect marketing expectations, broken processes, and even confusing directions. These types of issues cause 40-60% of dissatisfaction. Also, customers cause 20% of their own dissatisfaction by failing to understand the product limitations, making errors or stupid actions (like attempting to whiten teeth with household bleach - true story!).

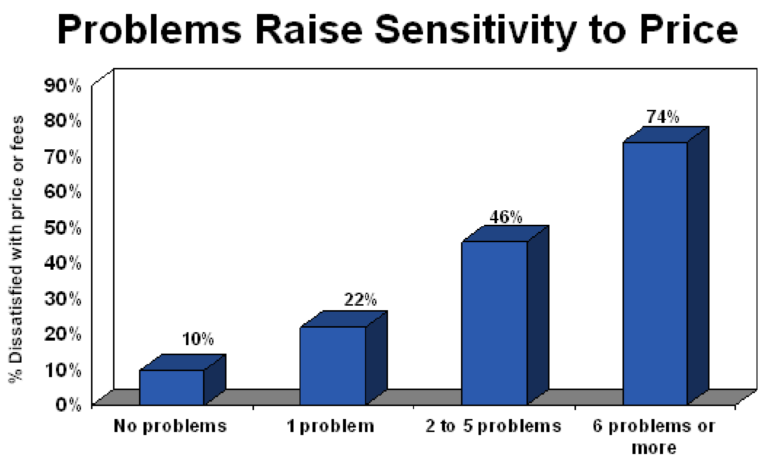
The solution is to identify customers' key points of pain and, for the major points of pain, determine if the cause is employee error or attitude, a product with built-in problem, a broken process, a marketing over promise, or a customer error/expectation. Call monitoring is an excellent source of this diagnostic information by identifying process glitches and customer areas of misunderstanding in addition to evaluating the front-line employee.

You should allocate at least one full-time analyst to identify poorly executed processes and response rules. Assume one full-time analyst per 50 front-line employees.
Lesson: Execute a true root-cause analysis of dissatisfaction. In most cases, the process, product, or customer is at fault and needs to be fixed.

Myth 7: Service is nice but price wins customers–look at Wal-Mart!

Fact: Some customers will always prefer price, but most prefer great service and will pay for it.

A majority of customers will pay more for higher quality. In fact, TARP has found, in most markets, including retail banking for example, that sensitivity to price is strongly correlated with problem encounters (as illustrated in the following chart). Fewer problems result in lower sensitivity to price as shown with this survey of more than 3,000 retail banking customers.



Less sensitivity to price means that companies with better service can achieve higher margins. Customers may say, "You're expensive but you're worth it because I seldom have problems." This is what we call "the Neiman Marcus effect."

Lesson: Reduce problems to gain flexibility in pricing.

Myth 8: Once we're at 90% satisfaction and loyalty, the law of diminishing returns kicks in and we should declare victory.

Fact: Easily fixed points of pain still exist and damage revenue even at top performance levels.

TARP has worked with financial, catalog, and retail clients who have the very highest satisfaction and loyalty scores, but every company identified customer "points of pain" that were easily resolved, and, when fixed, resulted in even higher scores. For example, an East Coast power company asked customers "who provides better service than we do?" and gave its customers choices like Amazon and FedEx. This company learned how they could borrow service strategies from different industries to improve service beyond what people expected for "just a power company."

Lesson: Don't stop improving service when you rise to the top of your industry.

Myth 9: All we need to measure is the net promoter score (NPS) and we have all the data we need on customer satisfaction and loyalty.

Fact: NPS scores are a range that do not provide context.

There are two problems. First you don't receive diagnostics from the NPS. Second, two very different situations can result in the same score. Your customers could all be in the middle with 30% advocates and 15% detractors (to get a 15) or you could have a very polarized market where 55% very happy and 40% are very unhappy. Both yield the same score!

Lesson: you need to understand the diagnostics behind the scores and estimate the revenue at risk for each month the status quo exists.

Myth 10: We have a 100% satisfaction guarantee, so we hear all the problems and all of our customers are satisfied.

Fact: A majority of customers do not contact you about satisfaction guarantees.

In most cases, even with very high visibility guarantee, only about 30% of customers will avail themselves of it because customers perceive that it will take too much effort to invoke the guarantee. Also, if the customer has encountered any limitations on the guarantee in the past, the rate drops to closer to 10%. In essence, a 100% guarantee does NOT guarantee that 100% of your customers will be satisfied.

Lesson: You must monitor the actual complaint rate by type of problem as well as the success of employees in satisfying customer when they do complain. Further you must understand that those who invoke the guarantee are only the tip of the iceberg compared to what is happening in the marketplace.